

**PUBLIC DISCLOSURE**

**MAY 16, 2011**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**CAPE COD CO-OPERATIVE BANK**

**26517**

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<b>NOTE:</b>	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Cape Cod Co-operative Bank ("or the "Bank")**, prepared by the Division and the FDIC, the institution's supervisory agencies as of **May 16, 2011**. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00. The FDIC rates the CRA performance institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."**

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these two tests is summarized below.

#### **Lending Test: "Satisfactory"**

- Cape Cod Co-operative Bank's loan-to-deposit ratio is more than reasonable given the institution's size and financial condition, as well as the assessment area's credit needs.
- A majority of the Bank's residential loans and small business loans are inside the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, an adequate penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of the Bank's loans reflects an adequate dispersion throughout the assessment area.
- The Bank has not received any CRA-related complaints.

#### **Community Development Test: "Satisfactory"**

- During the current evaluation period, the Bank made 5 qualified community development loans inside the assessment area totaling \$1.6, million reflecting a reasonable response to community needs. The Bank's activities were targeted to the affordable housing and poverty prevention needs of the assessment area.



- The Bank made qualified investments in the form of equity investments and donations totaling \$620,513.
- The Bank, through its officers and employees, provided support to several qualified community development organizations in the assessment area.

## **SCOPE OF THE EXAMINATION**

This evaluation was conducted jointly by the Division and the FDIC. Intermediate Small Bank CRA examination procedures were utilized for the evaluation. These procedures utilize two performance tests: the Lending Test and the Community Development Test. The evaluation considered the Bank's lending and community development activities for the period of November 21, 2007 through May 16, 2011. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

The Lending Test focused on home mortgage and small business lending. Home mortgage data analyzed included full-year data from January 1, 2009 through December 31, 2010. Information concerning home mortgage lending was derived from the Loan Application Registers ("LARs") maintained by the Bank pursuant to the Home Mortgage Disclosure Act ("HMDA"). The LARs contain data about home purchase and home improvement loans, including refinancings, of one- to four-family and multifamily (five or more units) properties. The Bank's lending performance in 2009 is the focus, as this is the most recent year for which aggregate HMDA lending data is available (aggregate lending data). The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes data from all HMDA reporting lenders that originated loans in the Bank's assessment area. The Bank's home mortgage lending data for 2010 is also referenced in the narrative to illustrate any trends.

Small business loans for the purpose of this evaluation are commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. The Bank's small business lending data for 2010 is presented in the tables throughout this evaluation. As an Intermediate Small Bank, the Bank is not required to collect and report small business loan data. However, the Bank chose to maintain this data utilizing the format of CRA Small Business Loan Application Registers; therefore, complete data was available for analysis. The Bank's 2010 small business lending performance is the focus, as this is the most recent full year with lending data available. Comparing the Bank's small business lending activity to small business aggregate data would not be appropriate, as the aggregate lenders are much larger institutions required to report small business data. Instead, the Bank's small business lending performance is compared to pertinent demographic information.

Greater emphasis is placed on the Bank's residential lending performance because it remains the Bank's primary lending category. Small farm loans were not considered since the Bank made no small farm loans during the evaluation period. Consumer lending was also excluded from this analysis since it accounts for a minor portion of the Bank's overall lending activity and the Bank does not collect information regarding such activity.

The Community Development Test included community development loans, investments, and services for the period of November 21, 2007 through May 16, 2011. Qualified equity investments currently held by the Bank were included regardless of investment date. The investments were valued at the March 31, 2011 book value.

Demographic information is from the 2000 U.S. Census unless otherwise noted. Financial data was derived from the December 31, 2010 Report of Condition and Income (Call Report).



## **PERFORMANCE CONTEXT**

### **Description of Institution**

Cape Cod Co-operative Bank was founded in 1921 as a Massachusetts chartered mutual co-operative bank servicing the residents of Cape Cod. On September 14, 2006, Cape Cod Co-operative reorganized from a mutual co-operative bank into a no stock mutual holding company, Coastal Affiliates, MHC, a single bank holding company. In addition to its main office, located at 121 Main Street in Yarmouth Port, the Bank operates six branch offices located in East Dennis, East Harwich, Hyannis, Sandwich, West Barnstable, and Yarmouth Port. The Bank also has an operations center in Hyannis. The Bank's full-service branch located in Yarmouth Port is only open to the residents and employees of "King's Way," a retirement community. The operations center and the Hyannis branch office are both located in low-income census tracts, the West Barnstable branch is located in an upper-income census tract, and the remaining branches are all located in middle-income census tracts. All branches are equipped with 24 hour automated teller machines (ATMs) and six of the seven branches have drive-up facilities. The operations center has an ATM in the lobby.

Cape Cod Co-operative Bank is a full-service financial institution that offers a wide variety of products and services. The Bank offers a variety of mortgage services including fixed rate and adjustable rate mortgages, first-time homebuyer mortgages, land, and jumbo loans. The Bank offers commercial real estate loans, commercial construction loans, business lines of credit, term financing, home equity lines of credit, home equity loans, personal loans, auto loans, and passbook or statement savings loans. The Bank also offers checking accounts, savings accounts, money market accounts, Individual Retirement Accounts (IRA), certificates of deposit, ATM and VISA checkcards, telephone banking, and online banking.

As of December 31, 2010, the Bank had total assets of \$593 million and total deposits of \$456 million. Total loans were \$480 million and represented 80.9 percent of total assets. Since the last CRA evaluation, the Bank's assets have grown 11.9 percent, net loans have increased 16.1 percent, and deposits have grown 26.7 percent.

Table 1 shows the current distribution of the Bank's loan portfolio.

<b>Table 1</b>		
<b>Loan Distribution as of December 31, 2010</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(000's)</b>	<b>Percent of Total Loans</b>
Construction and Land Development	21,419	4.4
1-4 Family Residential	328,513	68.2
Multi-Family (5 or more) Residential	6,123	1.3
Commercial	103,718	21.5
<b>Total Real Estate Loans</b>	<b>459,773</b>	<b>95.4</b>
Commercial and Industrial	20,593	4.3
Consumer	1,240	0.3
Loans and Leases Held for Sale	(1,642)	--
Loans and Leases, net of unearned income and allowances	(6,238)	--
<b>Total Loans</b>	<b>473,726</b>	<b>100.0</b>

*Source: FFIEC Report of Condition and Income (Call Reports) December 31, 2010*



The data in Table 1 illustrate that the Bank is primarily a residential lender with a majority of the loan portfolio secured by residential properties. As noted in Table 1, approximately 68.2 percent of the loans are secured by residential one- to four-family properties, followed by construction and land development at 4.4 percent, and multi-family residential loans at 1.3 percent. Loans secured by commercial real estate account for 21.5 percent of the loan portfolio, while commercial and industrial loans represent 4.3 percent of loans. Total real estate loans account for 95.4 percent of the total loan portfolio. In discussions with the Bank's management, it was noted that the Bank is expanding its lending efforts to small businesses.

The Division and the FDIC last evaluated the Bank's CRA performance jointly as of November 20, 2007. The Division assigned a rating of "High Satisfactory" and the FDIC assigned a rating of "Satisfactory." Although both agencies agreed on the overall performance of the Bank, the FDIC's rating matrix does not provide for a "High Satisfactory" rating.

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area.

### Description of Assessment Area

The CRA requires financial institutions to define an assessment area or areas within which its CRA performance will be evaluated. The Bank's assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole geographies (census tracts), (4) does not extend substantially beyond state boundaries, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

The Bank's assessment area contains the following towns in Barnstable County: Barnstable, Dennis, Harwich, Sandwich, and Yarmouth. The town of Barnstable consists of seven villages: Barnstable Village, Centerville, Cotuit, Hyannis, Marston Mills, Osterville and West Barnstable. All of these towns are located in the Barnstable, Massachusetts Metropolitan Statistical Area ("MSA"), known as Cape Cod.

Refer to Table 2 for pertinent demographic information about the assessment area.

<b>Table 2 Demographic Information*</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	27	7.4	11.1	66.7	14.8
Population by Geography	122,711	2.8	6.9	74.7	15.6
Owner-Occupied Housing by Geography	40,312	0.8	4.5	78.0	16.7
Business by Geography	11,454	13.9	5.0	65.9	15.2
Family Distribution by Income Level	34,199	17.8	19.7	24.3	38.2
Distribution of Low and Moderate Income Families throughout AA Geographies	12,841	4.0	9.3	75.8	10.9
Median Family Income		\$55,081	Median Housing Value	\$177,298	
HUD-Adjusted Median Family Income for 2010		\$75,300	Unemployment Rate	4.7%*	
Households Below Poverty Level		6.9%	March 2011 Bureau		
Families Below Poverty Level		5.0%	of Labor Statistics	8.2%	

Source: \*2000 US Census Data, 2010 HUD updated MFI, 2010 Business Geodemographic Data



As the data in Table 2 show, the Bank's assessment area consists of 27 census tracts, of which there are 2 low-income census tracts (7.4 percent), 3 moderate-income census tracts (11.1 percent), 18 middle-income census tracts (66.7 percent), and 4 upper-income census tracts (14.8 percent). The two low-income census tracts are located in Hyannis, while the three moderate-income census tracts are located in Dennis, Hyannis, and Sandwich.

The assessment area has a total population of 122,711, residing in 34,199 family households. Of all family households in the area, 17.8 percent are low-income, 19.7 percent are moderate-income, 24.3 percent are middle-income, and 38.2 percent are upper-income. In addition, 5.0 percent of all families have incomes below the poverty level. This poverty rate typically indicates a reduced ability to secure a mortgage loan, thereby reducing a financial institution's ability to penetrate these markets through residential loan products.

The assessment area consists of 74,567 total housing units, of which 40,312 or 54.1 percent are owner-occupied, 11,661 or 15.6 percent are rental units and 22,594 or 30.3 percent are vacant units. The high percentage of vacant units is due in part to the fact that many properties are second homes owned for seasonal purposes. Of the 40,312 owner-occupied housing units, 328 or 0.8 percent are in the low-income census tracts, while 1,816 or 4.5 percent are in moderate-income census tracts. The median housing value in 2000 for the assessment area was \$177,298, and the median age of the housing stock was 25 years. Recent figures from the Warren Group show that the assessment area's median home prices in 2009 ranged from a low of \$184,250 in Hyannis to \$400,000 in Osterville. In 2010, the median price ranged from \$188,750 in Hyannis to \$475,000 in Osterville.

Data obtained from the 2010 Business Geo-demographic Data show that there are 11,454 businesses in the assessment area, of which 79.5 percent have gross annual revenues of \$1 million or less, 3.8 percent have gross annual revenues greater than \$1 million, and the remaining 16.7 percent have unknown revenues. Of total businesses in the assessment area, 13.9 percent are in low-income census tracts, 5.0 percent are in moderate-income census tracts, 65.9 percent are in middle-income tracts, and 15.2 percent are in upper-income tracts. The highest proportion of these business establishments are engaged in the services industry (46.8 percent). Businesses involved in retail trade (15.9 percent), construction (11.6 percent), and finance, insurance, and real estate (7.8 percent) make up a significant share of the establishments. In terms of employees, approximately 72.2 percent of the area's businesses employ four or fewer people. Included among the largest employers in the assessment area are Cape Cod Healthcare, Woods Hole Oceanographic Institution, Air National Guard, Nantucket Airlines, and Ocean Edge Resort and Golf Club.

The unemployment rate statewide for Massachusetts is 8.2 percent according to March 2011 statistics gathered from the Bureau of Labor Statistics. This represents a modest decrease compared to 2009 and 2010, when the unemployment rate in Massachusetts was 8.2 percent and 8.7 percent, respectively. As of March 2011, the unemployment statistics for some towns in the assessment area per the Massachusetts Department of Labor and Workforce Development were: Harwich 13.7 percent, Yarmouth 12.5 percent, Dennis 11.4 percent, Barnstable 9.5 percent, and Sandwich 8.2 percent.

The Bank faces strong competition from other financial institutions that originated loans within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations to the largest banks in New England. Among the more prominent lenders competing with the Bank are Sovereign Bank, Bank of America, Mortgage Master, and US Bank. The 2009 aggregate lending data shows that 342 lenders originated 9,505 residential mortgage loans in the Bank's assessment area. Cape Cod Co-operative Bank ranked



fourth with a 5.1 percent market share. The top three lenders in the assessment area consisted of Cape Cod Five Cents Savings Bank with 13.1 percent, Bank of America with 7.2 percent, and JP Morgan Chase with 5.1 percent.

The assessment area has no one primary credit need. The area's residents need a variety of retail loan products to meet personal needs and an array of home financing programs for the purchase, construction, improvement, or refinance of a residence. The area's business base also requires numerous commercial credit options to meet a wide variety of financing purposes.

### **Community Contact**

A community contact was conducted with a local organization whose mission is to provide housing and services that meet the needs of the community and minimize the impact on natural resources and to engage in responsible economic development that generates jobs, stabilizes housing, and strengthens the community. This non-profit organization operates homeless shelters for adults and families, administers rental subsidies, offers education and training and develops new, affordable housing. Overall, the contact was pleased with the responsiveness of the local community banks to the area's credit needs, but did note they would like to see more affordable housing and a more skilled workforce. The contact stated that the workforce skills need to be improved and would like to see more year round salary jobs instead of seasonal positions.



## **PERFORMANCE CRITERIA**

The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-deposit ("LTD") ratio, assessment area concentration, borrower's profile, geographic distribution of loans, and response to CRA complaints. The Community Development Test considers qualified community development loans, investments, and services.

### **LENDING TEST**

#### **1. LOAN-TO-DEPOSIT ("LTD") ANALYSIS**

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans. A comparative analysis of Cape Cod Co-operative Bank's quarterly net LTD ratios for the last 13 quarters since the prior joint CRA evaluation was conducted. The quarters reviewed include those ending December 31, 2007 through December 31, 2010. These ratios are based on total loans, net of unearned income and net of the allowance for loan and lease losses, as a percentage of total deposits.

The Bank's average quarterly net LTD ratio over the period was 107.6 percent and is considered more than reasonable. The net LTD ratio for this period has fluctuated over the last 13 quarters from a high of 116.9 percent (June 2008) to a low of 99.1 percent (September 2010). During this timeframe, net loans increased 16.1 percent and deposits increased 26.7 percent.

Since the last examination, the Bank sold 716 loans totaling \$292.2 million to Fannie Mae and MassHousing. Selling loans on the secondary market has the effect of lowering an institution's LTD ratio, but also demonstrates a willingness to make funds available for additional lending activities.

As part of this analysis, the Bank's average LTD ratio was compared against the average LTD ratios of four similarly situated institutions (also located in Massachusetts with similar asset size and loan portfolio composition).

<b>Table 3 Peer Group Loan-to-Deposit Comparison</b>		
<b>Bank Name</b>	<b>Total Assets \$('000s) as of 12/31/10</b>	<b>Average Net LTD Ratio 12/31/07 - 12/31/10</b>
Webster Five Cents Savings Bank	555,120	87.0
Chicopee Savings Bank	572,764	113.5
<b>Cape Cod Co-operative Bank</b>	<b>593,360</b>	<b>107.6</b>
Pentucket Bank	619,465	83.2
Newburyport Five Cents Savings Bank	620,425	109.3

*Source: FFIEC Report of Condition and Income (Call Reports)*

As shown in Table 3, the four other institutions' average quarterly LTD ratios ranged between 83.2 percent and 109.3 percent. At 107.6 percent, the Bank's average LTD compares favorably.



## 2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area. The analysis includes both residential lending and small business lending.

Based on a review of home loan and small business data, a majority (75.4 percent) of the Bank's lending activity occurs within the institution's assessment area. Table 4 illustrates the Bank's record of extending residential mortgage loans and small business loans inside and outside the assessment area by number and dollar amount over the period reviewed.

Table 4 Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number Loans					Dollar Volume (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>2009</b>										
Home Purchase	100	69.4	44	30.6	144	29,193	64.5	16,039	35.5	45,232
Refinance	356	75.1	118	24.9	474	83,002	68.7	37,844	31.3	120,846
Home Improvement	30	79.0	8	21.0	38	5,313	67.0	2,620	33.0	7,933
<b>Total</b>	<b>486</b>	<b>74.1</b>	<b>170</b>	<b>25.9</b>	<b>656</b>	<b>117,508</b>	<b>67.5</b>	<b>56,503</b>	<b>32.5</b>	<b>174,011</b>
<b>2010</b>										
Home Purchase	156	73.2	57	26.8	213	40,436	70.0	17,357	30.0	57,793
Refinance	275	78.1	77	21.9	352	65,728	75.8	20,960	24.2	86,688
Home Improvement	18	90.0	2	10.0	20	1,486	78.4	410	21.6	1,896
<b>Total</b>	<b>449</b>	<b>76.8</b>	<b>136</b>	<b>23.2</b>	<b>585</b>	<b>107,650</b>	<b>73.5</b>	<b>38,727</b>	<b>26.5</b>	<b>146,377</b>
<b>Total Home Loan</b>	<b>935</b>	<b>75.3</b>	<b>306</b>	<b>24.7</b>	<b>1,241</b>	<b>225,158</b>	<b>70.3</b>	<b>95,230</b>	<b>29.7</b>	<b>320,388</b>
Small Business 2009	83	73.5	30	26.5	113	15,363	75.1	5,091	24.9	20,454
Small Business 2010	78	78.8	21	21.2	99	13,323	82.1	2,895	17.9	16,218
<b>Total Small Business Loans</b>	<b>161</b>	<b>75.9</b>	<b>51</b>	<b>24.1</b>	<b>212</b>	<b>28,686</b>	<b>78.2</b>	<b>7,986</b>	<b>21.8</b>	<b>36,672</b>
<b>Grand Total</b>	<b>1,096</b>	<b>75.4</b>	<b>357</b>	<b>24.6</b>	<b>1,453</b>	<b>253,844</b>	<b>71.1</b>	<b>103,216</b>	<b>28.9</b>	<b>357,060</b>

Source: 2009 and 2010 HMDA LARs and 2009 and 2010 CRA Small Business Loan Registers

### Home Loans

As shown in Table 4, the Bank originated 935 home loans totaling \$225 million inside the assessment area during the evaluation period. This represents 75.3 percent of the total number of home loans originated by the Bank and 70.3 percent by dollar volume. The distribution of loans by number bears more weight on the Bank's rating than the distribution by dollar amount, as the number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans.

### Small Business Lending

Table 4 shows that the Bank originated 161 small business loans totaling \$28.6 million in the assessment area during the review period. This represents 75.9 percent of the total number of small business loans originated by the Bank and 78.2 percent by dollar volume. The proportion of small business lending in the assessment area has been consistent throughout the review period.



### 3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS AND BUSINESSES OF DIFFERENT SIZES

This performance criterion evaluates the distribution of the Bank's residential and small business loans based on borrower characteristics. Analyses were conducted of the Bank's residential mortgage loans inside the assessment area based on borrower income and the Bank's small business loans inside the assessment area based on size of business. For residential lending, emphasis is placed on loans to low- and moderate-income borrowers, and for small business lending, emphasis is placed on loans to businesses with gross annual revenues (GAR) of \$1 million or less.

Based on the review of the Bank's lending data, the Bank has achieved an adequate penetration of loans among individuals of different income levels and businesses of different revenue sizes.

#### Home Loans

Residential lending data was reviewed to assess how well the Bank is addressing the housing credit needs of the area's low-, moderate-, middle-, and upper-income residents. Special consideration is placed on the Bank's record of lending to low- and moderate-income borrowers residing in the assessment area. See Table 5 for information concerning the distribution of loans by borrower income within the Bank's assessment area.

<b>Table 5</b> <b>Distribution of HMDA Loans by Borrower Income</b> <b>(Excludes borrowers for which income is not available)</b>									
Loan Category	# of Bank Loans	Percent of Bank Loans				Percent of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
<b>2009</b>									
Purchase	99	4.0	18.2	20.2	57.6	6.1	15.4	19.0	59.5
Refinance	352	6.0	16.5	25.5	52.0	5.0	16.3	24.0	54.7
Home Improvement	30	3.3	10.0	36.7	50.0	11.2	20.8	31.3	36.7
<b>Total</b>	<b>481</b>	<b>5.4</b>	<b>16.4</b>	<b>25.2</b>	<b>53.0</b>	<b>5.4</b>	<b>17.7</b>	<b>24.1</b>	<b>52.8</b>
<b>2010</b>									
Purchase	155	8.4	18.7	18.7	54.2				
Refinance	263	4.9	17.9	22.4	54.8				
Home Improvement	18	11.1	16.7	50.0	22.2				
<b>Total</b>	<b>436</b>	<b>6.4</b>	<b>18.1</b>	<b>22.3</b>	<b>53.2</b>				
<b>Grand Total</b>	<b>917</b>	<b>5.9</b>	<b>17.2</b>	<b>23.8</b>	<b>53.1</b>				
Demographics	#	Distribution of Families							
		Low	Moderate	Middle	Upper				
Families	<b>34,199</b>	<b>17.8</b>	<b>19.7</b>	<b>24.3</b>	<b>38.2</b>				

Source: 2009 and 2010 HMDA LARs, HMDA Aggregate for 2009, 2000 US Census Data

Table 5 shows that in 2009 the upper-income borrowers accounted for the highest share of loans in each of the loan categories and the highest single share of total loans. The percentage of loans to the upper-income borrowers was significantly higher than the percentage of upper-income families in the area. Middle-income borrowers accounted for the next highest percentage of total loans as well as the next highest percentage in home loan categories loans.



The percentage of loans to the middle-income borrowers was slightly higher than the demographics. Moderate-income borrowers accounted for 16.4 percent of the loan volume, lower than the percentage of moderate-income families at 19.7 percent. Low-income borrowers accounted for the lowest share of total loans. The proportion of loans to low-income borrowers (5.4 percent) was far below the percentage of low-income families (17.8 percent) in the assessment area. However, the area's high housing costs limit the number of borrowers in this income category that can realistically qualify for home financing, particularly in the home purchase category. Furthermore, approximately 25.0 percent of the low-income families actually live below the poverty level.

As reflected in Table 5 for 2009, Cape Cod Co-operative Bank's distribution of loans to low-income borrowers, at 5.4 percent, was consistent with the aggregate, at 5.4 percent. The percentage of refinance loans originated by the Bank to low-income borrowers during 2009, (6.0 percent) was above the aggregate data of 5.0 percent. The Bank's performance in lending to low-income borrowers in the assessment area is further highlighted by the 2009 market share report. The Bank ranked 5<sup>th</sup>, with a market share of 5.7 percent, for all assessment area loans originated to low-income borrowers.

In 2009, the Bank extended 16.4 percent of total loans to moderate-income borrowers, which was slightly below the aggregate of 17.7 percent and the percentage of moderate-income families at 19.7 percent. The percentage of home purchase loans originated by the Bank to moderate-income borrowers (18.2 percent) exceeded the aggregate (15.4 percent) and was also higher than the aggregate for refinance loans, 16.5 percent versus 16.3 percent. For home improvement loans (10.0 percent), the Bank was significantly lower than the aggregate (20.8 percent). The 2009 market share report pertaining to loans made to moderate-income borrowers in the assessment area shows the Bank ranked 5<sup>th</sup> with a market share of 5.4 percent.

In 2010, the distribution of home loans among the borrower income categories was comparable to 2009, in that the middle- and upper-income borrowers accounted for the majority of the home loans. The Bank's overall performance for the low-income and moderate-income borrowers increased from 5.4 to 6.4 percent and 16.4 and 18.1 percent respectively, which is noteworthy. As mentioned previously, home prices are still considered high and largely out-of-reach for most low- and moderate-income borrowers.

Cape Cod Co-operative Bank has made positive efforts to address the credit needs of low- and moderate-income borrowers. The Bank offers first-time homebuyer mortgages, municipal employee/health care mortgages and a lottery/affordable mortgage program. The Bank also offers a needs-based program to low- and moderate-income borrowers who generally cannot be approved for conventional financing products. The Bank originates loans through a variety of MassHousing and Freddie Mac loan programs that are geared toward helping low- and moderate-income borrowers with competitive interest rates and flexible underwriting standards.

### *Small Business Lending*

The Bank's small business lending was reviewed to assess how well the Bank is addressing the area's business credit needs. The distribution of borrowers for small business loans reflects an adequate penetration among businesses of different sizes. Table 6 illustrates the distribution of the Bank's 2010 small business loans within the assessment area by size of business. For comparison purposes, the table includes the percentage of businesses in the assessment area by gross annual revenue (GAR) category.



<b>Table 6</b> <b>Distribution of Small Business Loans by Business Size</b>					
Gross Annual Revenues (000s)	% of Businesses	2010			
		#	%	\$ (000)	%
≤ \$1,000	79.5	40	51.3	6,622	49.7
> \$1,000	3.8	37	47.4	6,601	49.5
Unknown Revenue	16.7	1	1.3	100	0.8
<b>Total</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>	<b>13,323</b>	<b>100.0</b>

Source: 2010 CRA Small Business Loan Registers, 2010 Business Geo-demographics Data

As shown in Table 6, the Bank made 51.3 percent of all small business loans to businesses with GAR of \$1 million or less in 2010, which is lower than the percentage of businesses in that size category (79.5 percent). However, as noted previously, the Bank does not report its small business lending and, therefore, comparison to the aggregate is not presented. Nonetheless, the Bank's performance is considered reasonable and demonstrates a commitment to meeting the needs of small businesses. With half of its business lending to small businesses, it is likely that the Bank's performance would compare favorably to other depository institutions.

As stated by management, the Bank is trying to target small business owners and seek any opportunity that is available within the assessment area. The Bank knows that small businesses are important to the community and is substantially increasing its marketing efforts to make lending possible.

#### 4. GEOGRAPHIC DISTRIBUTION

This criterion evaluates the distribution of the Bank's loans within the assessment area by census tract income level, with emphasis on lending in low- and moderate-income census tracts. As mentioned previously under the Description of Assessment Area, the Bank's assessment area comprises 27 census tracts: 2 (7.4 percent) are low-income; 3 (11.1 percent) are moderate-income; 18 (66.7 percent) are middle-income; and 4 (14.8 percent) are upper-income census tracts. Based on a review of the Bank's HMDA LARs and small business lending data, the overall geographic distribution of loans reflects an adequate penetration throughout the assessment area.

##### Home Loans

As show in Table 8, 0.8 percent of the Bank's HMDA loans in 2009 were originated within low-income tracts. This is consistent with the percentage of owner-occupied housing units within these tracts (0.8 percent) and the performance of the aggregate lenders (0.8 percent). By loan product, the Bank exceeded the aggregate in home purchase loans in the low-income tracts (3.0 percent versus 2.2 percent). The Bank's total home mortgage lending performance in low-income tracts remained consistent in 2010 as 0.7 percent of the Bank's loans were in the low-income census tracts.

The Bank originated 2.5 percent of its HMDA-reportable loans within moderate-income tracts in 2009. This is below both the performance of the aggregate lenders (5.9 percent) and the percentage of owner-occupied units within these tracts (4.5 percent). However, in 2010, the Bank's lending in moderate-income tracts increased to 4.4 percent, due in large part to an increase in the percentage of refinances in those tracts.



Table 8 Distribution of HMDA Loans by Census Tract Income									
Loan Category	# of Bank Loans	Percent of Bank Loans				Percent of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
<b>2009</b>									
Home Purchase	100	3.0	5.0	73.0	19.0	2.2	6.8	77.5	13.5
Refinance	356	0.3	1.7	75.3	22.7	0.3	5.6	75.6	18.5
Home Improvement	30	0.0	3.3	66.7	30.0	0.3	5.6	80.2	13.9
<b>Total</b>	<b>486</b>	<b>0.8</b>	<b>2.5</b>	<b>74.3</b>	<b>22.4</b>	<b>0.8</b>	<b>5.9</b>	<b>76.2</b>	<b>17.1</b>
<b>2010</b>									
Home Purchase	156	1.3	4.5	82.7	11.5				
Refinance	275	0.4	4.7	74.9	20.0				
Home Improvement	18	0.0	0.0	72.2	27.8				
<b>Total</b>	<b>449</b>	<b>0.7</b>	<b>4.4</b>	<b>77.5</b>	<b>17.4</b>				
<b>Grand Total</b>	<b>935</b>	<b>0.8</b>	<b>3.4</b>	<b>75.8</b>	<b>20.0</b>				
Demographics	#	Distribution of Housing							
		Low	Moderate	Middle	Upper				
Owner Occupied Units	40,312	<b>0.8</b>	<b>4.5</b>	<b>78.0</b>	<b>16.7</b>				

Source: 2009 and 2010 HMDA LARS, HMDA Aggregate Data for 2009. Demographics 2000 US Census Data

Table 8 also shows that in 2009, 74.3 percent of the Bank's home mortgage loans were originated in middle-income census tracts. The Bank's performance was slightly lower than the aggregate lending data (76.2 percent) within the assessment area. The middle-income census tracts accounted for the highest proportion of loans for all three loan purposes (home purchase, refinance, and home improvement). The strong performance in the middle-income census tracts is not surprising considering that these census tracts contain 78.0 percent of the area's owner-occupied housing units. In addition, four of the Bank's seven branch offices are located in these middle-income census tracts drawing a large number of borrowers from the surrounding areas. The upper-income census tracts accounted for all of the remaining loan volume. In total, approximately 22.4 percent of the home mortgage lending was in the upper-income areas.

### Small Business Lending

The Geographic Distribution of small business loans reflects an adequate dispersion throughout the assessment area. Table 9 summarizes the Bank's distribution of small business loans by census tract income level. Demographic information is included for comparison purposes.

Table 9 Distribution Small Business Loans by Census Tract Income					
	# of Bank Loans	Percent of Bank Loans			
		Low	Moderate	Middle	Upper
2010	<b>78</b>	<b>10.3</b>	<b>0.0</b>	<b>79.4</b>	<b>10.3</b>
Demographics	#	Distribution of Businesses			
		Low	Moderate	Middle	Upper
<b>Businesses</b>	<b>9,102</b>	<b>11.2</b>	<b>4.6</b>	<b>67.7</b>	<b>16.5</b>

Source: 2010 CRA Small Business Loan Registers and 2010 Business Geo-demographics Data



As shown in Table 9, the Bank originated 10.3 percent of all small business loans in the low-income census tracts in 2010. This performance is slightly lower than the percentage of businesses in those tracts of 11.2 percent.

Table 9 also shows that the Bank did not make any small business loans (0.0 percent) in the moderate-income census tracts. As only 4.6 percent of all businesses are located in those tracts, lending opportunities are limited. Additionally, the Bank does not have a branch presence in the moderate-income census tracts. With a relatively low number of loans overall, a slight increase in volume would likely result in a dispersion commensurate with the demographics.

## 5. RESPONSE TO CRA COMPLAINTS

The Bank has not received any CRA-related complaints during the evaluation period. As a result, this performance criterion is not applicable.

### COMMUNITY DEVELOPMENT TEST

Through a combination of qualified community development loans, investments, and services, the Bank has helped meet various needs throughout its assessment area.

#### Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

Cape Cod Co-operative Bank originated five community development loans totaling \$1.6 million in its assessment area. Summarized in Table 10 below are the community development loans by community development category and year originated.

Table 10 Community Development Loans								
Community Development Category	2008		2009		2010		2011	
	#	\$	#	\$	#	\$	#	\$
Affordable Housing for Low- and Moderate-Income	0	0	0	0	1	171	1	100
Community Services Targeted to Low- and Moderate-Income	1	540	2	750	0	0	0	0
Promote Economic Development	0	0	0	0	0	0	0	0
Revitalize Low- and Moderate-Income geographies	0	0	0	0	0	0	0	0
Total	1	540	2	750	1	171	1	100

Source: Internal Bank Records



Described below is a representative sample of the projects funded:

- In 2008, the Bank originated a loan totaling \$540,000 to a non-profit organization that provides services to low- and moderate-income persons, including operating a food bank.
- In 2010, the Bank originated a loan totaling \$171,000 to a non-profit organization that provides affordable housing.
- In 2011, the Bank originated a loan totaling \$100,000 to a non-profit organization that provides shelter and services to homeless persons on the Cape.

### **Qualified Investments**

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives.

In total, the Bank made \$620,513 in qualified investments, grants and charitable donations during the period reviewed.

### **CRA Qualified Investment Fund**

The Bank purchased two bonds totaling \$500,000 in July 2002 through the Massachusetts Housing Finance Agency (MassHousing) and continues to retain these bonds. The first bond was for \$250,000 for the purpose of making mortgage loans to supply apartment units in multifamily developments for low- and moderate-income persons or families in Barnstable County. The second bond, also for \$250,000, was to lend money at rates below the conventional market to support rental and homeownership for low- and moderate-income residents in Barnstable County. As of March 31, 2011, the current book value was \$483,648.

### **Charitable Donations**

The Bank's donations are made directly through the Bank and through the Cape Cod Co-operative Bank Fund (the Fund). The Fund was established in 1996 as a donor-advised fund within the Cape Cod Foundation. The Cape Cod Foundation is a charitable community trust organized as a nonprofit in 1989 to serve the needs of the people of Cape Cod. The Foundation acts as a vehicle for linking community resources with community needs. This is accomplished by building a pool of funds, investing them, and distributing income from the funds to nonprofit organizations and institutions. The Cape Cod Co-operative Bank Fund was formed to solidify the Bank's commitment to helping non-profit organizations carry out their work to serve consumers and businesses in the community. Although the vast majority of the Bank's charitable donations are made through the Bank, the Fund does provide contributions to organizations that provide education, training, affordable housing, youth programs, health and human services for individuals in need and community development.



The total amount of qualified CRA donations made by the Bank and the Fund from November 21, 2007 through December 31, 2010, (the Bank has not made any qualified CRA donations for 2011) was \$120,513, representing 73.1 percent of the Bank's total donations of \$164,918. By individual year, the total qualified donations are as follows: 4Q2007 (\$9,250), 2008 (\$92,838), 2009 (\$10,125), and 2010 (\$8,300). These amounts represent 0.7 percent, 0.9 percent, 0.2 percent, and 0.3 percent of net operating income (NOI), for each year, respectively, as noted in Table 11 below.

<b>Table 11 Qualified Community Development Donations</b>					
	<b>4Q2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Total</b>
Cape Cod Co-operative Bank	\$9,250	\$92,838	\$3,125	\$3,300	\$108,513
The Fund	\$0	\$0	\$7,000	\$5,000	\$12,000
<b>Total</b>	<b>\$9,250</b>	<b>\$92,838</b>	<b>\$10,125</b>	<b>\$8,300</b>	<b>\$120,513</b>
Pre-tax NOI	\$1,262,000	\$10,829,000	\$4,965,000	\$2,693,000	\$18,487,000
Donations/Pre-Tax NOI	<b>0.7%</b>	<b>0.9%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.7%</b>
Number of Organizations Benefiting from Donations	6	8	7	4	25

Source: Internal Bank Records

Table 12 below details the qualified donations made directly by the Bank by community development category. The \$108,513 in donations provided by the Bank represents an increase over the prior evaluation period, when the Bank made qualified CRA donations totaling \$92,197.

<b>Table 12 Community Development Grants and Donations by Category</b>										
<b>Community Development Category</b>	<b>4Q2007</b>		<b>2008</b>		<b>2009</b>		<b>2010</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Affordable Housing	3	2,250	3	88,000	2	625	1	1,000	9	91,875
Community Services	3	7,000	4	3,838	2	2,500	2	2,300	11	15,638
Economic Development/Revitalization	0	0	1	1,000	0	0	0	0	1	1,000
<b>Total</b>	<b>6</b>	<b>9,250</b>	<b>8</b>	<b>92,838</b>	<b>4</b>	<b>3,125</b>	<b>3</b>	<b>3,300</b>	<b>21</b>	<b>108,513</b>

Source: Internal Bank Records

Some of the organizations that the Bank made qualified grants or donations to are listed below:

Cape Cod Times Needy Fund – The mission of this organization is to help local families and individuals pay for food, rent, mortgage payments, utility and heating bills, medical cost and other basic expenses.

Independence House, Inc. – This non-profit organization is a comprehensive community-based resource on Cape Cod, providing free and confidential services for survivors of sexualized and domestic violence. Services are also provided to children of survivors.

SCORE - Counselors to America's Small Business – SCORE is a nonprofit association dedicated to educating entrepreneurs and helping small businesses start, grow, and succeed nationwide. SCORE is a resource partner with the U.S. Small Business Administration (SBA), and has been mentoring small business owners, at no charge, for more than 40 years.



Cape Abilities, Inc. – The mission of Cape Abilities is to serve individuals with disabilities on Cape Cod by educating, counseling and providing residential, therapeutic, social, and employment support so as to empower them to achieve meaningful and valued roles in society.

Table 13 below details the qualified donations made by the Cape Cod Co-operative Bank Fund by category.

<b>Table 13 Community Development Grants and Donations by Category</b>						
<b>Community Development Category</b>	<b>2009</b>		<b>2010</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Affordable Housing	1	1,000	0	0	1	1,000
Community Services	2	6,000	1	5,000	3	11,000
Economic Development/Revitalization	0	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>7,000</b>	<b>1</b>	<b>5,000</b>	<b>4</b>	<b>12,000</b>

Source: Internal Bank Records

Some of the organizations that the Bank's Fund made qualified grants or donations to are listed below:

Housing Assistance Corporation (HAC) – HAC delivers housing services, such as foreclosure prevention and first-time homebuyer seminars, and employment services that help Cape and Islands residents secure homes that are safe, stable and healthy.

Luke Vincent Powers Foundation – This organization provides opportunities to disadvantaged children by funding programs that enhance their lives, such as a play space for Cape Cod homeless children and scholarships to financially disadvantaged students.

### **Community Development Services**

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance.

The following list is a sample of organizations in which the Bank's personnel are involved.

Homeownership Assistance Corporation – The Bank President is on the steering committee that helps provide shelter for the homeless, a Senior Vice President is a member of the Development Committee and provides first time homebuyer counseling, and a Residential Loan Officer conducts post purchase counseling for individuals that have purchased property through the organization.

Habitat for Humanity – A Senior Vice President is a credit analyst for this organization that provides housing to low- and moderate-income persons.

Consumer Assistance Council – A Senior Vice President is the President of the Board of Directors for this organization that provides consumer credit counseling.

Elder Services of Cape Cod and the Islands – A Vice President and Branch Manager is the Treasurer for this organization that provides services to the elderly living on the Cape and Islands.



## **Educational Services and Seminars**

During the evaluation period, the Bank participated in 15 first-time homebuyer education classes. The person representing the Bank at these homebuyer assistance education classes was recognized with the Massachusetts House of Representatives award as Volunteer of the Year for 2009.

In May 2008, the Bank participated in a Consumer Fraud Awareness Discussion. The discussion was provided through the Better Business Bureau to help keep personal information safe.

In 2010, the Bank conducted a seminar entitled Managing Cash Flow designed to help small businesses create a business plan and manage their cash flow to meet that plan and succeed.

In 2011, volunteers from the Bank conducted two presentations to Dennis-Yarmouth Regional High School students to share career and financial information with the accounting classes. Information shared included: what a credit report is, basic banking information, and how to budget and establish a savings plan.

## **Other Community Development Services**

### IOLTA Accounts

Cape Cod Co-operative Bank participates in the Interest on Lawyers' Trust Accounts (IOLTA). Interest earned on the account is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients.

### Basic Banking for Massachusetts

The Bank continues to be involved in the Basic Banking for Massachusetts. The Bank's checking and savings accounts meet the Massachusetts Community and Banking Council guidelines. This voluntary program expands access to Bank products and services and encourages those with modest incomes to establish banking relationships.

## **Branch Distribution**

As stated previously, the Bank operates its main office in Yarmouth Port, as well as six full service branch offices in East Dennis, East Harwich, Hyannis, Sandwich, West Barnstable, and Yarmouth Port. The main office and all six branches have ATMs. All but the Yarmouth Port branch office have drive-up window facilities.

As previously mentioned, the Bank's assessment area has a total of 2 low-income census tracts and 3 moderate-income census tracts. Of the Bank's six offices, one is located in a low-income census tract and none are located in moderate-income census tracts. It is noted that 7.4 percent of the census tracts in the Bank's assessment area are low-income while 14.3 percent of the branches are located in those tracts. Further, 11.1 percent of the census tracts in the Bank's assessment area are moderate-income and 0 percent of the branches are located in those tracts. According to 2000 U.S. Census data, 2.8 percent of the assessment area population resides in the low-income census tracts and 6.9 percent of the assessment area population resides in the moderate-income census tracts.

While the Bank lacks a presence in the moderate-income census tracts, it does maintain a branch in one of the two low-income census tracts, demonstrating the availability of banking services to individuals in low-income tracts.



## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The Bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. No evidence of discriminatory acts or illegal credit practices was identified.



## APPENDIX A

### *Fair Lending Policies and Procedures*

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

The Bank has a written Fair Lending Policy. The Bank proactively and affirmatively supports the fair lending process through fair, but flexible lending policies. All employees are provided with training appropriate to their job description and responsibilities in fair lending issues. The Bank makes exceptions to the loan policy and employs a second review process.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

### MINORITY APPLICATION FLOW

According to the 2000 U.S. Census Data, the Bank's Massachusetts assessment area contained a total population of 122,711 individuals of which 6.6 percent are minorities. The assessment areas minority and ethnic population is 1.7 percent Black/African American, 0.6 percent Asian, 0.4 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 1.5 percent Hispanic or Latino and 2.4 percent other.

For 2009 and 2010, the Bank received 1,140 HMDA reportable loan applications from within its assessment area. Of these applications, 11 or 1.0 percent were received from minority applicants, of which 9 or 81.2 percent resulted in originations. For the same time period, the Bank also received 12, applications, representing 1.0 percent, from ethnic groups of Hispanic origin within its assessment area of which 8 or 66.7 percent were originated.

<b>Table 14</b>								
<b>MINORITY APPLICATION FLOW</b>								
<b>RACE</b>	Bank 2009		2009 Aggregate Data		Bank 2010		Bank TOTAL	
	#	%	#	%	#	%	#	%
American Indian/ Alaska Native	0	0.0	19	0.2	0	0.0	0	0.0
Asian	2	0.3	62	0.5	2	0.4	4	0.4
Black/ African American	0	0.0	77	0.6	4	0.8	4	0.4
Hawaiian/Pac Isl.	0	0.0	5	0.1	1	0.2	1	0.1
2 or more Minority	0	0.0	1	0.0	0	0.0	0	0.0
Joint Race (White/Minority)	1	0.2	64	0.5	1	0.2	2	0.1
<b>Total Minority</b>	<b>3</b>	<b>0.5</b>	<b>228</b>	<b>1.9</b>	<b>8</b>	<b>1.6</b>	<b>11</b>	<b>1.0</b>
White	555	90.4	9,178	76.1	474	90.0	1,029	90.3
Race Not Available	56	9.1	2,663	22.1	44	8.4	100	8.7
<b>Total</b>	<b>614</b>	<b>100.0</b>	<b>12,069</b>	<b>100.0</b>	<b>526</b>	<b>100.0</b>	<b>1,140</b>	<b>100.0</b>
<b>ETHNICITY</b>								
Hispanic or Latino	1	0.2	103	0.9	4	0.8	5	0.4
Not Hispanic or Latino	546	88.9	9,244	76.6	463	88.0	1,009	88.6
Joint (Hisp/Lat /Not Hisp/Lat)	3	0.5	63	0.5	4	0.8	7	0.6
Ethnicity Not Available	64	10.4	2,659	22.0	55	10.4	119	10.4
<b>Total</b>	<b>614</b>	<b>100.0</b>	<b>12,069</b>	<b>100.0</b>	<b>526</b>	<b>100.0</b>	<b>1,140</b>	<b>100.0</b>

Source: 2009 and 2010 HMDA/ LAR, 2009 HMDA Aggregate Data



The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2009. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the table above for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

The Bank's performance was lower than the 2009 aggregate's performance level for both racial and ethnic minority applicants. However, the 2010 data shows a noted increase in both categories that brings the Bank more in line with the performance of the aggregate.



## **APPENDIX B**

### ***General Definitions***

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

#### **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).



**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.



**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.



## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:  
  
"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 121 Main Street, Yarmouth Port, MA 02675."
- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.